

Flour Indulgence
Manhattan, KS 66502
785-555-5555
gifts@flourindulgence.com



Management Team

Kelly Peters, co-owner
Molly Williams, co-owner
Mary Garrison, co-owner
Kristen Holiday, co-owner

Industry

Food
Retail

Projected Year 1 Net Income

\$17,180

Projected Break-even

1,285 units (14 months)

Funding Sought

\$57,530

Use of Funds

Equipment
Leasehold Improvements
Beginning Inventory
Licensing Fees

Business Description

Flour Indulgence will provide an easy, relatively inexpensive and unique gift for any special occasion or event. A bakery bouquet will eliminate worry and stress sometimes associated with gift giving, resulting in an easy exciting and truly memorable occasion. A bakery bouquet will differ from the ordinary flour bouquet by offering beauty, creativity, practicality and delicious treats all at the same time. In addition, Flour Indulgence will bring a sense of security and comfort to customers through homemade baked goods.

Residents of Manhattan, KS live in a city where grain and agriculture play an intricate role in everyday living. Kansas State University offers a world renowned program specializing in connecting consumers to grain related commodities. Flour Indulgence compliments the standards of grain goods already established in the Manhattan agricultural community by offering a beautiful bakery bouquet showcasing delicious ways to incorporate grain into gift-giving. Flour Indulgence is a retail business currently in the introductory phase. No current proprietary rights exist for this type of product and service.

Market

Growth potential of the market: The industry of sending gifts or flowers is stable and should continue to be stable due to the demand for an easy, inexpensive gift. There is great potential for Flour Indulgence to later increase its market size to internet sales and postal mail deliveries. The current industry market size is shown in the chart below.

Industry Market Size by Number of Establishments & Sales			
	United States	Kansas	Manhattan, KS
Florist Establishments	22,750	272	N/A
Florist Sales	\$6,624,783,000	\$58,650,000	N/A
Gift Shop Establishments	35,795	371	11
Gift Shop Sales	\$16,001,184,000	\$128,940,000	N/A

The market penetration plan for Flour Indulgence will include a variety of means of establishment in the market during the introductory phase. Through newspaper ads, radio commercials, and promotions Flour Indulgence will launch into the Manhattan community and surrounding areas. In order to penetrate into the Kansas State University market, Flour Indulgence will advertise in the school's newspaper, post flyers on campus, and offer specials for "Welcome Back" bouquets in August during the company's startup phase.

According to Mintel, current and ongoing trends in the food industry include low-fat, no cholesterol, organic, zero-trans fat items, etc. Flour Indulgence will capitalize on this emerging trend by offering bouquets with some of these options; such as all natural, organic, Vegan, and zero-trans fat bouquets. Other trends Flour Indulgence will pursue in the future are internet orders and shipping the bouquets nationally.

Another key trend in the industry, according to Marketline, is the use of the internet to facilitate new sales. Flour Indulgence plans to capitalize on this trend by utilizing a website for web orders and marketing the opportunity to send edible bouquets to loved ones in Manhattan, KS to parents of Kansas State University students. By incorporating an internet presence, the potential market size for Flour Indulgence will increase substantially, thus allowing Flour Indulgence to more quickly become established in the growth and maturity cycles.

The initial target market for Flour Indulgence will include the general population of Manhattan and the surrounding areas as well for the Kansas State University community. Through Greek life and other student organizations, Flour Indulgence can reach further markets by producing customized products to meet consumer needs.

Competition

Flour Indulgence has a competitive advantage in Manhattan, KS since there are no other cookie bouquet shops in the area. Direct local competition includes florists and gift shops. Indirect competition challenging Flour Indulgence includes consumers not willing to pay the average price of \$45 for an edible bakery bouquet.

Flour Indulgence holds the competitive advantage by selling a fresh, new, unique item. In addition, Flour Indulgence will have high market penetration since edible bouquets are not commonly sold in Manhattan, KS and the surrounding areas. The market share will be average since there are a great number of florists and gift shops in Manhattan, KS; which are the primary competitors. The geographic location will provide a large target market due to the number of Kansas State University events and occasions.

Production / Manufacturing

All bakery bouquets will be produced internally by the entrepreneurs and production will be based on demand and orders received. In order to begin the production process, an entrepreneur must consult with the customer to determine which bakery bouquet design. Production will begin with baking individual goods necessary for the bakery bouquet. Upon completion of baked goods, the goods will be shaped into desired forms. After bakery goods are finished, bouquets will be arranged according to design specifications. Final product will be wrapped in cellophane as preparation for delivery to the customer. After each bouquet creation is completed, a photo should be taken of the product to add to a product catalog. The catalog will serve as a representation media for future customers.



Management

With a management team comprised of four Kansas State University Grain Science students, our team offers a diverse level of skills and areas of expertise. Mary Garrison, a senior in Milling Science, imparts two years of competitive cake decorating experience. A senior in both Milling and Bakery Science, Kelly Peters, has worked in several leader positions with student organizations within Kansas State. Molly Williams, a senior in Bakery Science, holds knowledge regarding industry regulations and trends as well as experience as Production Manager for the Bakery Science Club. Kristen Holiday, a junior in Bakery Science, offers proficiency regarding Research and Development and leadership familiarity through student organization involvement. Combined, the team has over two years' experience working in the grain science industry through six company internships.

The Flour Indulgence management team will be divided to delegate out the responsibilities. Molly Williams shall oversee production, Kristen Holiday shall monitor sales, Mary Garrison shall hold financial responsibilities, and Kelly Peters shall conduct marketing. By delegating the responsibilities of the company, the venture can efficiently thrive and develop through teamwork and communal efforts. At this time the management team is not seeking to hire additional employees. When Flour Indulgence exceeds the original entrepreneurs' capacity, the management team will look to hire part-time assistance.

The Flour Indulgence entrepreneurs have access to distinguished Department of Grain Science faculty to assist in industry related questions that may arise throughout building stages. Grain Science department instructor, Dave Krishock, confirmed availability to aid Flour Indulgence as a bakery production advisor. Mary Garrison's father, Greg Garrison,

works as a Certified Public Accountant and can offer financial advice. Kelly Peters' father is a bank director and can offer financial assistance with loans, financial advice, etc. Molly Week's mother owns her own business in Manhattan and can serve as an advisor to assist in preparatory work with Flour Indulgence. Kristen Holiday's father is a head manager in the grain science field and can give management guidance for the industry.

Financial Summary

Flour Indulgence will require \$57,520 in startup funding. These startup costs include: \$45,322 in equipment, \$10,200 in leasehold improvements, \$1,440 in beginning inventory and \$558 in licensing fees. The leadership team of Flour Indulgence will invest \$11,500 toward the total startup costs (20%) and is seeking outside investment for the remaining \$46,030.

Flour Indulgence projects year one sales of \$106,650, or 2,350 units with a 77% profit margin. Total expenses for year one are projected at \$65,770 for a projected net income of \$17,180. The team has projected a 70% increase in sales for year two and a 46% increase in sales for year three with total profits of \$65,800 and \$110,382 respectively.

Basic Financial Information	
Start-Up Capital Required	\$57,530
Projected Number of Units Sold	2,350 bouquets
Price Per Unit	\$45.38
Competitor's Price Per Unit	\$53.86
Cost of Goods Sold Per Unit	\$10.06

With an average unit price of \$45.38, the Flour Indulgence product is competitively priced in the market. The competitor's average price is \$53.86, putting Flour Indulgence in a price leadership position to attract initial sales.

The projected break-even for Flour Indulgence is 1,285 units. It is projected four Flour Indulgence to reach this benchmark in the 14 month of operation.

Break-Even Analysis	
Fixed Costs	\$27,300
Variable Cost per Unit	\$24.13
Selling Price per Unit	\$45.38
Yearly Break-Even	1,285 units

The following three-year projected income statement demonstrates the potential profitability of the venture.

Flour Indulgence 3 Year Projected Income			
	2013	2014	2015
Sales	\$106,650	\$182,016	\$265,440
Cost of Goods Sold	\$23,700	\$45,504	\$74,323
Gross Profit	\$82,950	\$136,512	\$191,117
Operating Expenses			
Salaries & Wages	\$33,070	\$36,377	\$43,653
Advertising	\$4,800	\$5,040	\$5,443
Insurance	\$2,400	\$2,520	\$2,722
Office Expenses	\$900	\$945	\$1,021
Rent	\$15,600	\$16,380	\$17,690
Telephone	\$1,200	\$1,260	\$1,361
Utilities	\$7,200	\$7,560	\$8,165
Miscellaneous Expenses	\$600	\$630	\$680
Total Expenses	\$ 65,770	\$ 70,712	\$ 80,735
Net Income	\$17,180	\$65,800	\$110,382